

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

SJR 494

January 16, 2018

SUMMARY OF BILL: Proposes amending Article II, Section 28 of the Constitution of Tennessee to eliminate state and local governments' authority to: (a) levy a tax upon earned personal income, payroll, or incomes derived from stocks and bonds that are not taxed ad valorem.

ESTIMATED FISCAL IMPACT:

Increase State Expenditures - \$9,100/FY22-23

Assumptions:

Cost to Publish Amendment

- The Secretary of State will publish the proposed amendment.
- The one-time increase in state expenditures for publishing costs is estimated to be \$9,100 based on the cost of recent publications incurred by the Secretary of State.
- This cost is assumed to be incurred in late 2022 (FY22-23) prior to the gubernatorial election.
- Any increase in state expenditures to prepare a copy of this resolution is estimated to be not significant.

Income derived from stocks and bonds

- Pursuant to Tenn. Code Ann. § 67-2-102, the Hall Income Tax (HIT) is currently a four percent tax on income derived from dividends on stock or from interest on bonds.
- Pursuant to Tenn. Code Ann. § 67-2-124, it is the legislative intent that the tax be reduced by one percent annually through enactments of general bills; the tax shall be eliminated for tax years beginning on or after January 1, 2021.
- On April 26, 2017, Governor Bill Haslam signed into law Public Chapter 181, entitled the Improving Manufacturing, Public Roads and Opportunities for a Vibrant Economy Act, or the IMPROVE Act.
- Section 13 of the IMPROVE Act codified the intent of Tenn. Code Ann. § 67-2-124, in Tenn. Code Ann. § 67-2-102, to incrementally reduce the HIT rate until its elimination for tax years beginning on or after January 1, 2021.
- This legislation will remove state and local government's ability to tax earned personal income, payroll, or income derived from dividends on stock and from interest on bonds; however, a constitutional amendment must pass several tests prior to passage.

- Pursuant to Article 11, Section 3 of the Constitution of the State of Tennessee, any proposed amendment to the constitution must be agreed to by a majority of all the members elected to each of the two houses. The amendment will then need to be agreed to by two-thirds of all the members elected to each house of the proceeding General Assembly, and if agreed to, a majority referendum shall be placed on the ballot during the next gubernatorial election.
- Should the 110th General Assembly approve this constitutional amendment by a majority of all the members elected to each house during the 2018 legislative session, the 111th General Assembly would need to approve the amendment by two-thirds in each house during the 2019 legislative session, and if approved, such measure would be included in a majority referendum on the November 2022 gubernatorial ballot.
- If the majority of lawful Tennessee residents vote to approve such amendment, this would have no impact on HIT collections, as the HIT will be phased out pursuant to current law by the time the amendment becomes part of the Constitution.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in blue ink that reads "Krista M. Lee". The signature is written in a cursive, flowing style.

Krista M. Lee, Executive Director

/jdb